

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0203-01
Bill No.: HB 493
Subject: Children and Minors; Licenses - Miscellaneous; Health Department
Type: Original
Date: March 4, 2013

Bill Summary: This proposal changes the laws regarding licensure requirement exceptions for certain child-care facilities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	(Unknown, greater than \$3,227,210)	(Unknown, greater than \$3,478,605)	(Unknown, greater than \$3,512,170)
Total Estimated Net Effect on General Revenue Fund	(Unknown, greater than \$3,227,210)	(Unknown, greater than \$3,478,605)	(Unknown, greater than \$3,512,170)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	52	52	52
Total Estimated Net Effect on FTE	52	52	52

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government*	\$0	\$0	\$0

* Revenues and expenditures net to \$0.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Health and Senior Services (DHSS)** provide the following assumptions for this proposal:

§§ 210.201, 210.211, and 210.221 - Licensing of Child-Care Facilities:

The Division of Regulation and Licensure (DRL), Section for Child Care Regulation (SCCR) is responsible for licensure and enforcement of regulated child care facilities in Missouri. The SCCR has information regarding 2,068 license-exempt and exempt facilities in Missouri that would require licensure under the proposed legislation. According to the Department of Social Services (DSS), there were 4,043 registered unlicensed child care providers caring for four or fewer children at the end of calendar year 2012. An unknown number of these providers are likely caring for related children as well, which could increase the number of children in care to more than four and would require them to be licensed under the proposed language. In addition, DHSS is unable to estimate the number of unlicensed child care providers that are not registered that would fall under the new licensure requirements. For fiscal note computation purposes, DRL assumes that at a minimum, 2,068 additional child care providers would require licensure. The actual number requiring licensure is greater than that, but is considered unknown.

Assuming a caseload of 80 (the current average caseload), a minimum of 26 new Child Care Facility Specialist IIs will be needed ($2,068/80 = 25.85$). In addition, four supervisors (Child Care Facility Specialist IIIs) and four support staff (Senior Office Support Assistants) would be required. This is based on the assignment of one of each of these positions for every six Child Care Facility Specialist IIs. This is consistent with the current staffing ratio. One Child Care Program Specialist will also be needed to review, update, and implement new rules that would govern the previously license-exempt and exempt facilities, provide training, review rule waiver requests, etc.

Division of Community and Public Health (DCPH):

The DCPH submits sanitation inspections of child care facilities to DRL to fulfill a portion of the licensing requirement. DCPH estimates at least 1,533 facilities not currently regulated will be immediately required to be inspected annually for sanitation under this proposal (16 academy preschools + 169 convenience business + 35 recreational programs + 1,313 schools = 1,533 facilities). DCPH staff conduct initial sanitation inspections and Local Public Health Agency staff conduct most annual sanitation inspections. DCPH would require a minimum of five additional Environmental Public Health Specialist (EPHS) IVs to provide these services for

ASSUMPTION (continued)

1,533 facilities (1,533 facilities / 5 EPHS IVs = 306 facilities per EPHS IV). An unknown number of additional activities would be conducted by the five EPHS IVs beyond FY14. This includes initial inspections from the identification of additional facilities, initial inspections due to facility turnover, and training/education to industry and local public health agencies in FY15 and FY16. EPHS IV salary plus two steps is A27, step G, within the uniform classification and pay scale, or \$42,552 annually.

DCPH contracts with LPHAs to conduct annual child care sanitation inspections. Additional payments to LPHAs starting in FY15 are \$237,615 (1,533 facilities x \$120/inspection = \$183,960; 1,533 facilities x \$70/reinspection x 50 percent reinspection rate = \$53,655; \$183,960 + \$53,665 = \$237,615).

Office of Administration, Information Technology Services Division (ITSD):

An unknown amount of support from ITSD and/or contractors will be needed to assist the DHSS in modifying the existing childcare inspection system to include additional licensed facilities and formulate new rules for these facilities in the system.

COST CATEGORY	Year One	Ongoing Costs	
Modify electronic online system for childcare inspection program	Unknown but greater than \$100,000	Unknown - best estimate is \$25,000	Unknown - best estimate is \$10,000

The DHSS estimates FY 14 costs to the General Revenue Fund as unknown, greater than \$2,497,358; FY 15 costs unknown, greater than \$2,909,615; and FY 16 costs unknown, greater than \$2,936,085.

Oversight notes the DHSS is requesting a minimum of 40 additional staff to be located around the state. Oversight assumes one or two additional staff people may be able to be located within existing office space at any particular location and therefore is not reflecting DHSS' estimate of approximately \$100,000 in annual rent expense. However, if more staff were to be located at a single location, the DHSS may need additional rental space.

Officials from the **Department of Public Safety (DPS) - Division of Fire Safety (DFS)** state this legislation significantly expands the DFS' Fire Inspection program for the inspection of childcare facilities. In section 210.201, Child-care facility is defined, which removes many facilities which were previously exempt. The new definition will now require the inspection of schools, businesses, and religious child care programs, and also includes school programs. The

ASSUMPTION (continued)

Department of Health and Senior Services (DHSS) estimates this will impact approximately 2,068 facilities.

Additionally, in section 210.211, the proposal removes the exemption for relatives within the third degree from being considered in the total number of children being care for. Therefore, all facilities with four or more children, regardless of their relation, must be inspected. At a minimum, this will impact 4,043 registered unlicensed child care providers.

Due to this large increase in child-care facilities to be inspected by the DFS, the division is requesting 12 additional FTE, including 1 FTE Senior Office Support Assistant, 10 FTE Fire Safety Inspectors, and 1 FTE Regional Chief Inspector. This increase in staff is needed to conduct the inspections of the additional child-care facilities, process the applications, review the documentation, conduct quality control, and investigate all complaints. Related expense and equipment funding is also being requested. FY 14 General Revenue costs are estimated to be \$919,852; FY 15 costs are estimated to be \$703,070; and FY 16 costs are estimated to be \$711,256.

Officials from the **Department of Elementary and Secondary Education (DESE)** state the proposal would not appear to have an impact on the state. However, the fiscal impact would be to public school districts serving children under kindergarten entry under the current exemption. Costs would be difficult to estimate as these programs would need to meet the fire and sanitation requirements for licensed child care facilities, as well as possibly having an increase in background check requirements. Approximately 213 local school districts would be impacted by this proposal. Therefore, DESE assumes these costs would be significant.

Oversight assumes since only one school districts responded to the request for a statement of fiscal impact and the sole responder assumed the proposal would have no fiscal impact on their organization, that this proposal will have no significant fiscal impact on school districts.

Officials from the **Parkway School District** assume the proposal would not fiscally impact their agency.

No other schools responded to **Oversight's** request for a statement of fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE FUND			
<u>Costs - DHSS-DRL</u>			
Personal service	(\$1,187,520)	(\$1,439,274)	(\$1,453,667)
Fringe benefits	(\$602,607)	(\$730,360)	(\$737,663)
Equipment and expense	(Unknown, greater than \$517,231)	(Unknown, greater than, \$368,286)	(Unknown, greater than \$371,969)
Local assistance	\$0	(\$237,615)	(\$237,615)
	(Unknown,	(Unknown,	(Unknown,
<u>Total Costs - DHSS-DRL</u>	<u>greater than</u> <u>\$2,307,357)</u>	<u>greater than</u> <u>\$2,775,535)</u>	<u>greater than</u> <u>\$2,800,914)</u>
FTE Change - DHSS	40 FTE	40 FTE	40 FTE
<u>Costs - DPS-FSD</u>			
Personal service	(\$342,570)	(\$415,195)	(\$419,347)
Fringe benefits	(\$173,837)	(\$210,691)	(\$212,798)
Equipment and expense	(\$403,445)	(\$77,184)	(\$79,111)
<u>Total Costs - DPS-DFS</u>	<u>(\$919,852)</u>	<u>(\$703,070)</u>	<u>(\$711,256)</u>
FTE Change - DPS	12 FTE	12 FTE	12 FTE
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(Unknown,</u> <u>greater than</u> <u>\$3,227,209)</u>	<u>(Unknown,</u> <u>greater than</u> <u>\$3,478,605)</u>	<u>(Unknown,</u> <u>greater than</u> <u>\$3,512,170)</u>
Estimated Net FTE Change on the General Revenue Fund	52 FTE	52 FTE	52 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
LOCAL PUBLIC HEALTH AGENCIES			
<u>Income</u> - Local Public Health Agencies			
Increase in child care sanitation inspection fee revenue from DHHS	\$0	\$237,615	\$237,615
<u>Costs</u> - Local Public Health Agencies			
Increase in child care sanitation inspection expenditures	<u>\$0</u>	<u>(\$237,615)</u>	<u>(\$237,615)</u>
ESTIMATED NET EFFECT ON LOCAL PUBLIC HEALTH AGENCIES	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal would have a direct, negative fiscal impact on small business child-care facilities. Although no licensing fees are required under the legislation, child-care facilities would have to respond to departmental questions and concerns and make facility/business repairs/changes as required.

FISCAL DESCRIPTION

This proposal changes the laws regarding the licensure of certain child-care facilities. In its main provisions, the proposal: (1) Revises the definition of "child-care facility" as it applies to the licensure of those facilities to remove an exception for a facility operated by a school system or in connection with a business establishment that provides child care as a convenience for its customers or its employees for no more than four hours per day, any private or religious organization elementary or secondary school, and a religious organization academic preschool or kindergarten for four- and five-year-old children; and (2) Repeals the provisions exempting any person caring for four or fewer children, any child-care facility maintained or operated under the exclusive control of a religious organization, or any nursery school from licensure.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Department of Health and Senior Services
Department of Public Safety -
 Division of Fire Safety
Parkway School District



Ross Strobe
Acting Director
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